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**VERNON G. BUSH**  
STATE SOCIAL  
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## **MEMORANDUM**

TO: Social Security Reporting Officials

FROM: Vernon G. Bush *VGB*

DATE: December 2009

SUBJECT: Social Security Information and Fact Sheet 2009-2010

### **Law Does Not Provide for a Social Security Cost-of-Living Adjustment for 2010**

With consumer prices down over the past year, monthly Social Security and Supplemental Security Income benefits for more than 57 million Americans will not automatically increase in 2010. This will be the first year without an automatic Cost-of-Living Adjustment (COLA) since they went into effect in 1975.

The Social Security Act provides that Social Security and Supplemental Security Income benefits increase automatically each year if there is an increase in the Bureau of Labor Statistics' *Consumer Price Index for Urban Wage Earners and Clerical Workers* (CPI-W) from the third quarter of the last year to the third quarter of the current year. This year there was no increase in the CPI-W from the third quarter of 2008 to the third quarter of 2009. In addition, because there was no increase in the CPI-W this year, under the law the starting point for determinations regarding a possible 2011 COLA will remain the third quarter of 2008.

Some other changes that would normally take effect in January 2010 based on the increase in average wages also will not take effect, even though average wages did increase. Since there is no COLA, the statute prohibits an increase in the maximum amount of earnings subject to the Social Security tax as well as the retirement earnings test exempt amounts. These amounts will remain unchanged in 2010.

For additional information about the 2010 COLA, go to [www.socialsecurity.gov/cola](http://www.socialsecurity.gov/cola).

## **Social Security to Open New Teleservice Center in Jackson, Tennessee**

### **Center Will Help Agency Handle Calls from Boomer Wave**

Michael J. Astrue, Commissioner of Social Security, has announced that the agency plans to open a new teleservice center (TSC) in Jackson, Tennessee, which will be the first new call center opened by Social Security in more than a decade. The Jackson TSC will employ about 175 people once it is fully operational.

"Social Security is facing an unprecedented wave of people needing our services as baby boomers retire," Commissioner Astrue said. "Response times have been improving significantly, and the new Jackson TSC will help us provide even more timely service to the 60 million Americans who call our toll-free number each year."

Social Security currently has 35 TSCs operating in locations all across the country. All TSCs take calls from throughout the U.S. and provide service via Social Security's national toll-free number, 1-800-772-1213 (TTY 1-800-325-0778). Live service is available from "7:00 a.m. - 7:00 p.m. in each time zone" Monday through Friday. Automated service is available 24 hours a day, seven days a week.

More than two-thirds of the calls to Social Security's 800 number come from the Eastern and Central time zones. Jackson was chosen as the site for a new TSC because of the additional capacity needed in these time zones to handle calls. In addition, with four colleges and universities in Jackson and several others within a short commute, the Jackson area will provide Social Security with a highly-skilled and well-educated workforce.

"Social Security consistently ranks as one of the top federal agencies to work for," noted Commissioner Astrue. "With President Obama having called a new generation of Americans to public service, I am confident that Social Security will become the employer of choice in Jackson."

Social Security will be working closely with the General Services Administration to facilitate the process for opening the new TSC. The process provides for open competition and normally takes 18 to 24 months to complete.

### **Social Security Basic Facts**

As of August 5, 2009

- In 2009, nearly 51 million Americans will receive \$672 billion in Social Security benefits.

	<u>Number</u>	<u>Payroll</u>	<u>Average Monthly Benefits</u>
Retired workers	33 million	\$38.3 billion	\$1,159
Dependents	29 million	\$1.7 billion	
Disabled workers	7.6 million	\$8.0 billion	\$1,062
Dependents	1.8 million	\$ .6 billion	
Survivors	6.4 million	\$6.3 billion	\$1,118

- Social Security is the major source of income for most of the elderly.
  - Nine out of ten individuals age 65 and older receive Social Security benefits.
  - Social Security benefits represent about 40% of the income of the elderly.
- Social Security provides more than just retirement benefits.
  - Retired workers and their dependents account for 69% of total benefits paid.
  - Disabled workers and their dependents account for 18% of total benefits paid.
    - About 91 percent of workers age 21-64 in covered employment and their families have protection in the event of a long-term disability.
    - Almost 3 in 10 of today's 20 year-olds will become disabled before reaching age 67.
    - 69% of the private sector workforce has no long-term disability insurance.
  - Survivors of deceased workers account for about 13% of total benefits paid.
    - About one in seven of today's 20 year-olds will die before reaching age 67.
    - About 97% of persons aged 20-49 who worked in covered employment in 2008 have survivors insurance protection for their young children and the surviving spouse caring for the children.
- An estimated 159 million workers, 94% of all workers, are covered under Social Security.
  - 52% of the workforce has no private pension coverage.
  - 31% of the workforce has no savings set aside specifically for retirement.
- In 1935, the life expectancy of a 65-year-old was 12½ years, today it's 18 years.
- By 2034, there will be almost twice as many older Americans as today -- from 39.9 million today to 74.6 million.
- There are currently 3.2 workers for each Social Security beneficiary. By 2034, there will be 2.1 workers for each beneficiary.

### **How is Social Security Financed?**

Social Security is financed through a dedicated payroll tax. Employers and employees each pay 6.2 percent of wages up to the taxable maximum of \$106,800 (in 2009), while the self-employed pay 12.4 percent.

In 2008, \$672 billion (83.5 percent) of total OASI and DI income came from payroll taxes. The remainder was provided by interest earnings (\$116 billion or 14.4 percent) and revenue from taxation of OASDI benefits (\$17 billion or 2.1 percent).

The payroll tax rates are set by law and for OASI and DI apply to earnings up to a certain amount. This amount, called the earnings base, rises as average wages increase.

#### **Tax rates for employees and employers each under current law**

<u>Year</u>	<u>OASI</u>	<u>DI</u>	<u>OASDI</u>
2000 and later	5.30%	0.90%	6.20%

SOURCE: 2009 OASDI Trustees Report.

#### **What are the Trust Funds?**

The Social Security trust funds are financial accounts in the U.S. Treasury. There are two separate Social Security trust funds: the Old Age and Survivors Insurance (OASI) Trust Fund pays retirement and survivors benefits, and the Disability Insurance (DI) Trust Fund pays disability benefits.

Social Security taxes and other income are deposited in these accounts and Social Security benefits are paid from them. The only purposes for which these trust funds can be used are to pay benefits and program administrative costs.

The Social Security trust funds not needed in the current year to pay benefits and administrative costs are, by law, invested in special Treasury bonds that are guaranteed by the U.S. Government. A market rate of interest is paid to the trust funds on the bonds they hold, and when those bonds reach maturity or are needed to pay benefits, the Treasury redeems them.

#### **Social Security (OASDI) Program Rates & Limits, 2009-2010**

	2009	2010
Tax Rates for Employers and Employees, Each <sup>a</sup>		
Social Security		
Old Age and Survivors Insurance	5.30%	5.30%
Disability Insurance	<u>0.90%</u>	<u>0.90%</u>
Subtotal, Social Security	6.20%	6.20%
Medicare (Hospital Insurance)	<u>1.45%</u>	<u>1.45%</u>
Total	7.65%	7.65%
Maximum Taxable Earnings		
Social Security	\$106,800	\$106,800
Medicare (Hospital Insurance)	No Limit	No Limit

Earnings Required for Work Credits		
One Work Credit (One Quarter of Coverage)	\$1,090	\$1,120
Maximum of Four Credits a Year	\$4,360	\$4,480
Earnings Test Annual Exempt Amount		
Under Full Retirement Age for Entire Year	\$14,160	\$14,160
For Months Before Reaching Full Retirement Age in Given year	\$37,680	\$37,680
Beginning with Month Reaching Full Retirement Age	No Limit	No Limit
Maximum Monthly Social Security Benefit for Workers		
Retiring at Full Retirement Age	\$2,323	\$2,346
Full Retirement Age	66	66
Cost-of-Living Adjustment	5.8%	0.0%

<sup>a</sup> Self-employed persons pay a total of 15.3%—10.6% for OASI, 1.8% for DI, and 2.9% for Medicare.

#### **Supplemental Security Income (SSI) Program Rates & Limits, 2009-2010**

	2009	2010
Monthly Federal Payment Standard		
Individual	\$674	\$674
Couple	\$1,011	\$1,011
Cost-of-Living Adjustment	5.8%	0.0%
Resource Limits		
Individual	\$2,000	\$2,000
Couple	\$3,000	\$3,000
Monthly Income Exclusions		
Earned Income <sup>a</sup>	\$65	\$65
Unearned Income	\$20	\$20
Substantial Gainful Activity (SGA) Level for the Nonblind Disabled		
	\$980	\$1,000

<sup>a</sup> The earned income exclusion consists of the first \$65 of monthly earnings, plus one-half of remaining earnings.

#### **2010 Medicare Information**

The following is a listing of the Medicare premium, deductible, and coinsurance rates that will be in effect in 2010:

## **Part A: (Hospital Insurance) Premium**

Most people do not pay a monthly Part A premium because they or a spouse has 40 or more quarters of Medicare-covered employment.

The Part A premium is \$254.00 per month for people having 30-39 quarters of Medicare-covered employment.

The Part A premium is \$461.00 per month for people who are not otherwise eligible for premium-free hospital insurance and have less than 30 quarters of Medicare-covered employment.

## **Part B: (Medical Insurance) Premium**

Most beneficiaries will continue to pay the same \$96.40 premium amount in 2010. Beneficiaries who currently have the Social Security Administration (SSA) withhold their Part B premium and have incomes of \$85,000 or less (or \$170,000 or less for joint filers) will not have an increase in their Part B premium in 2010. For additional details, see Medicare's FAQ titled: "**Will my Medicare Part B premium increase in 2010?**"

For all others, the standard Medicare Part B monthly premium will be \$110.50 in 2010, which is a 15% increase over the 2009 premium. The Medicare Part B premium is increasing in 2010 due to possible increases in Part B costs. If your income is above \$85,000 (single) or \$170,000 (married couple), then your Medicare Part B premium may be higher than \$110.50 per month. For additional details, see Medicare's FAQ titled: "**2010 Part B Premium Amounts for Persons with Higher Income Levels**".

## **Medicare Deductible and Coinsurance Amounts for 2010:**

**Part A:** (pays for inpatient hospital, skilled nursing facility, and some home health care) For each benefit period Medicare pays all covered costs except the Medicare Part A deductible (2010 = \$1,100) during the first 60 days and coinsurance amounts for hospital stays that last beyond 60 days and no more than 150 days.

### **For each benefit period you pay:**

A total of \$1,100 for a hospital stay of 1-60 days.

\$275 per day for days 61-90 of a hospital stay.

\$550 per day for days 91-150 of a hospital stay (Lifetime Reserve Days).

All costs for each day beyond 150 days

## **Skilled Nursing Facility Coinsurance**

\$137.50 per day for days 21 through 100 each benefit period.

**Part B:** (covers Medicare eligible physician services, outpatient hospital services, certain home health services, durable medical equipment)

\$155.00 per year. (Note: You pay 20% of the Medicare-approved amount for services after you meet the \$155.00 deductible.)

Additional information about the Medicare premiums, deductibles, and coinsurance rates for 2010 is available in the October 16, 2009 Fact Sheet titled, "**CMS Announces Medicare Premiums, Deductibles for 2010**" on the [www.cms.gov](http://www.cms.gov) website.

Go to [www.medicare.gov](http://www.medicare.gov) for additional information.

## **Social Security and Medicare Taxes and Section 218 Retroactive Payments**

*BY WANDA VALENTINE, FSLG SENIOR ANALYST*

State and local governments that have established Section 218 agreements with the Social Security Administration (SSA) can agree to modify these agreements to establish coverage for past years. These modifications can be effective retroactively, going back as much as five years. In most cases, this will require a government entity to make retroactive payments to the IRS for back employment taxes.

In the past, government entities paid these employment taxes using the Form 941c, which is now obsolete. A new process has been developed to facilitate these back payments and prevent erroneous refunds. In cases where the section 218 modification agreement covers only years for which the statute of limitations on assessment remains open, a government entity should use Form 941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund, to amend the quarterly employment tax returns and pay the back employment taxes. If the modification covers years where the IRS statute is barred or closed, the government entity will need to initiate a closing agreement with IRS for those barred statute years.

Under section 218(c)(4) of the Social Security Act, an entity covered by a section 218 Agreement and the Social Security Administration can agree to modify the section 218 Agreement. Section 218(e) specifies that coverage may cover a retroactive period of not more than five calendar years. If the government entity executes this agreement, the entity is expected to pay the additional social security and/or Medicare taxes associated with the retroactive coverage.

### **IRS Statutes of Limitations**

Under section 6501(a) and 6501(b)(2) of the Internal Revenue Code, the statute of limitations for assessment of social security and Medicare taxes is three years from the date the returns are deemed filed. When returns are timely filed, the statute runs from April 15th of the year following the calendar year for which the employment tax returns are due and filed. For example, in tax year 2006, a 4<sup>th</sup> quarter Form 941 return that is timely filed by the due date of January 31, 2007, has a statute that runs until April 15th, 2010.

If a government entity seeks to implement a retroactive modification to a section 218 agreement covering a five-year period, the earliest two years will generally be barred from assessment. To allow payments on the full five-year retroactive period (including the barred statute years), the government entity will be allowed to enter into a closing agreement with IRS under which it

waives the statute of limitations for assessment and agrees to pay the full amount of tax due at the time the closing agreement is executed.

The office of Federal, State and Local Governments will coordinate the closing agreement process for these types of payments and can be contacted in writing at the following address:

IRS  
SE:T:GE:FSL  
Attn: FSLG Closing Agreement Coordinator  
1111 Constitution Ave.  
Washington, D.C. 20224

More information about Section 218 Agreements may be found in IRS Publication 963, Federal-State Reference Guide.

### **Internal Revenue Service News**

1. **IRS Announces 2010 Standard Mileage Rates**  
Beginning on Jan. 1, 2010, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:
  - 50 cents per mile for business miles driven,
  - 16.5 cents per mile driven for medical or moving purposes, and
  - 14 cents per mile driven in service of charitable organizations.
2. **Updated Tax Guide Features Recovery Tax Breaks; Helps People Save on their 2009 Taxes**  
Publication 17, Your Federal Income Tax, features details on taking advantage of new tax-saving opportunities, such as the making work pay credit for most workers, American opportunity credit for parents and college students, energy credits for homeowners going green, first-time homebuyer credit, sales or excise tax deduction for new car buyers, and the expanded child tax credit and earned income tax credit for low- and moderate-income workers. This useful 308-page guide also provides more than 6,000 interactive links to help taxpayers quickly get answers to their questions.
3. **IRS Extends Food Industry Tip Reporting Program**  
The Internal Revenue Service has announced that it has extended for an additional two years the Attributed Tip Income Program (ATIP), first announced in 2006 in Revenue Procedure 2006-30, that simplifies the recordkeeping burden for reporting tip income in the food and beverage industry.
4. **Latest IRS Partner Headliners Volume 281-- Bartering for Small Businesses**  
Small business owners should be aware that bartering transactions generally have associated tax reporting, accounting and record-keeping responsibilities.
5. **Incorrect Phone Number on Some Philadelphia CP 2057 Notices**  
The Internal Revenue Service mailed approximately 14,500 CP 2057 (Check Your Records to Confirm the Income You Received) informational notices from the Philadelphia campus



on November 30, 2009 with an incorrect toll-free telephone number. The correct toll-free number is 1-866-379-6176. IRS apologizes for any inconvenience.

**6. Victor Song Named Chief, IRS Criminal Investigation**

The Internal Revenue Service has announced that Victor Song will become the new chief for IRS Criminal Investigation, replacing Eileen Mayer who is retiring in January. Song currently is the CI deputy chief.

**7. Technical Guidance**

Notice 2009-90 sets forth guidance relating to the tax credit under § 45 of the Internal Revenue Code for refined coal. The notice (1) provides for a definition of refined coal; (2) does not require that the producer of the refined coal own the facility; (3) provides for (a) permissible emissions reductions testing, (b) the frequency of such testing, and (c) for the certification of emissions reduction.

Revenue Procedure 2009-55 sets forth for purposes of section 846 of the Internal Revenue Code the loss payment patterns and discount factors for each property and casualty line of business for the 2009 accident year. These factors are to be used by property and casualty insurance companies in discounting unpaid losses.

Revenue Procedure 2009-56 sets forth for purposes of section 832 of the Internal Revenue Code the salvage discount factors for each property and casualty line of business for the 2009 accident year. These factors are to be used by property and casualty insurance companies to discount estimated salvage recoverable.

Notice 2009-96 provides the corporate bond weighted average interest rate.

## **FUN FACTS**

### **Popular Baby Names Top 10 Names for 2008**

<b><u>Rank</u></b>	<b><u>Male Names</u></b>	<b><u>Female Names</u></b>
1	Jacob	Emma
2	Michael	Isabella
3	Ethan	Emily
4	Joshua	Madison
5	Daniel	Ava
6	Alexander	Olivia
7	Anthony	Sophia
8	William	Abigail
9	Christopher	Elizabeth
10	Matthew	Chloe

Note: Rank 1 is the most popular, rank 2 is the next most popular, and so forth.